

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

Leas LEASEUROPE
INDEX

Survey of European leasing and rental firms

Leaseurope Index Segment Survey 2014

Table of Contents	Page
A. Leaseurope Index Segment Results	3
a. About the Segment Survey	3
b. 2014 Segment Results	3
B. Figures	5
a. Index of Median profitability by asset type, 2014	5
b. Median cost/income ratio by asset type, 2014	5
c. Median cost of risk ratio by asset type, 2014	6
d. Median return on assets ratio by asset type, 2014	6
e. Index of Median profitability by asset type, 2010 – 2014	7
f. Median cost/income ratio by asset type, 2010 – 2014	7
g. Median cost of risk ratio by asset type, 2010 – 2014	8
h. Median return on assets ratio by asset type, 2010 – 2014	8
C. Tables	9
a. Median ratios - equipment	9
b. Median ratios - real estate	9
c. Median ratios - passenger cars & LCVs	10
d. Median ratios - commercial vehicles	10
e. Weighted average ratios - equipment	11
f. Weighted average ratios - real estate	11
g. Weighted average ratios - passenger cars & LCVs	12
h. Weighted average ratios - commercial vehicles	12
D. About the Leaseurope Index	13

LEASEUROPE INDEX SEGMENT RESULTS: 2014

About the Segment Survey

The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 17 European lessors on a quarterly basis. The Segment Survey is an annual supplement to the quarterly Index, reporting on the financial ratios¹ broken down by four asset types; equipment, real estate, passenger cars and commercial vehicles. This 2014 survey is the fourth edition of the project.

Both weighted average ratios and median ratios are reported. The weighted average ratios are useful as they take into account the size of the firms, so that bigger firms contribute more to the final value than smaller firms, but they can be heavily influenced by extremely positive or negative values (outliers). The median ratio reports the value of the mid-point or 'typical' firm and therefore is not influenced by these outliers. However, it does not take into account the firm size, merely the number of firms. Taking into account both of these ratios should give a better picture of the market trends.

We present graphs showing the quarterly trends in 2014, followed by the annual trends from 2010 to 2014. The quarterly results are a lot more volatile than the annual figures, therefore the annual results are a more reliable indicator of changes in the relevant asset segment markets.

Please note that the results of the Segment Survey may not be directly comparable to the Leaseurope Index Quarterly Survey. Various assets that are included in the Quarterly Survey results and which do not fit into one of the four categories used in the Segment Survey, such as renewable energy or big ticket assets, may not be taken into account in the Segment Survey results. Various costs and incomes related to international co-ordination of the business may also not be included, as they can be difficult to allocate to different asset types. In some cases the company figures for each asset type are estimates. For instance, if financial indicators split by assets include a variety of products, then the portion attributable to leasing needed to be estimated. Equally, if asset splits were only available for the total automotive portfolio, then the split by passenger cars and commercial vehicles had to be estimated in some cases.

¹ The financial ratios reported are profitability, cost/income, cost of risk and return on assets. Return on equity is not reported as it is not possible to divide company equity by asset type.

2014 SEGMENT RESULTS

The following paragraphs provide a brief overview of the results of the survey, focussing on the median values of the indicators. The results of the 2014 Segment Survey show a generally strong year for the industry, with improvements across almost all assets in most indicators between 2013 and 2014. Of the total outstanding portfolio reported, 41% is attributed to equipment, 29% to real estate, 24% to passenger cars and 6% to commercial vehicles. Please refer to p.14 for the full list of participants.

Profitability

Equipment and passenger cars experienced the biggest improvements in profitability between 2013 and 2014, with both charting their highest profitability levels in five years. Profitability of real estate assets continued to recover in 2014 while commercial vehicles was the only asset class to see a decline. When looking at quarterly data, equipment leasing experienced a deterioration of profitability over the course of 2014, whereas both passenger cars and trucks remained stable with increases in Q4. Real estate saw a lot more volatility in profitability over the course of 2014, with relatively strong mid-year results.

Cost/income

All assets experienced a decrease in the cost/income ratio between 2013 and 2014, with the exception of real estate which increased marginally. Cost/income escalated over the course of 2014 for equipment, whereas real estate and passenger car ratios remained stable. Trucks exhibited the highest cost/income ratios, exceeding 45% in all but the third quarter of 2014.

Cost of risk

Equipment continued to see declining cost of risk, dropping to 0.5% in 2014, whereas real estate increased sharply in 2014 to 1.1%. Passenger cars and commercial vehicles both experienced a drop in cost of risk, reaching around 0.3%. For most asset classes, loan loss provisions appear to peak at the end of the year. Equipment cost of risk appears to be lowering throughout 2014, as does real estate. Both vehicle categories enjoy relatively low levels of cost of risk, although there seems to be some increases in the second half of 2014.

Return on assets

Developments in RoA were positive for some assets and negative for others. Return on equipment assets continued to increase in 2014 while return on cars peaked at its highest level yet (1.9%). On the other hand, return on real estate assets continued to decline with trucks also seeing a decrease in 2014. Both passenger cars and commercial vehicles experienced a large degree of variation over the quarters in 2014, with peaks in Q2 and Q4. Return on equipment was fairly stable over the year with the exception of Q2, which reached over 1.5%, whereas return on real estate assets remained the lowest.

Please refer to the attached tables and graphs for more detailed information.

Fig 1: Index of Median Profitability by asset type, 2014

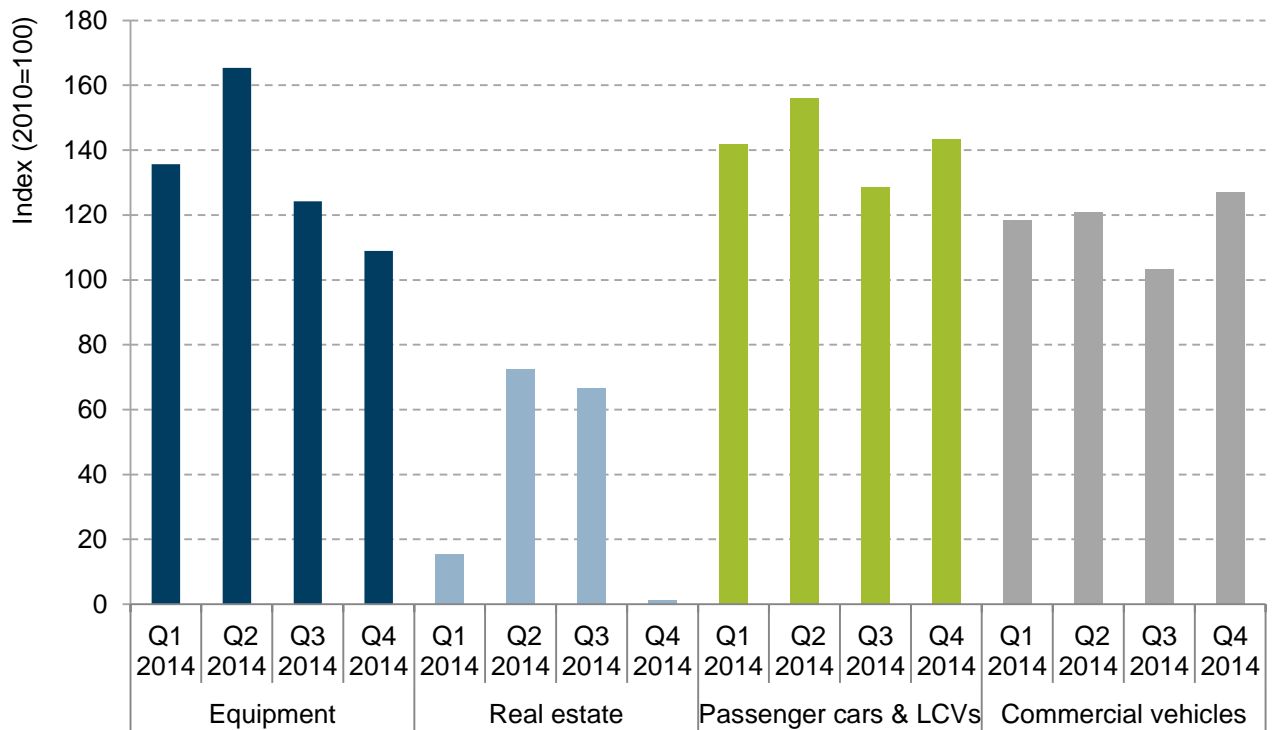


Fig. 2: Median Cost/Income Ratio by asset type, 2014

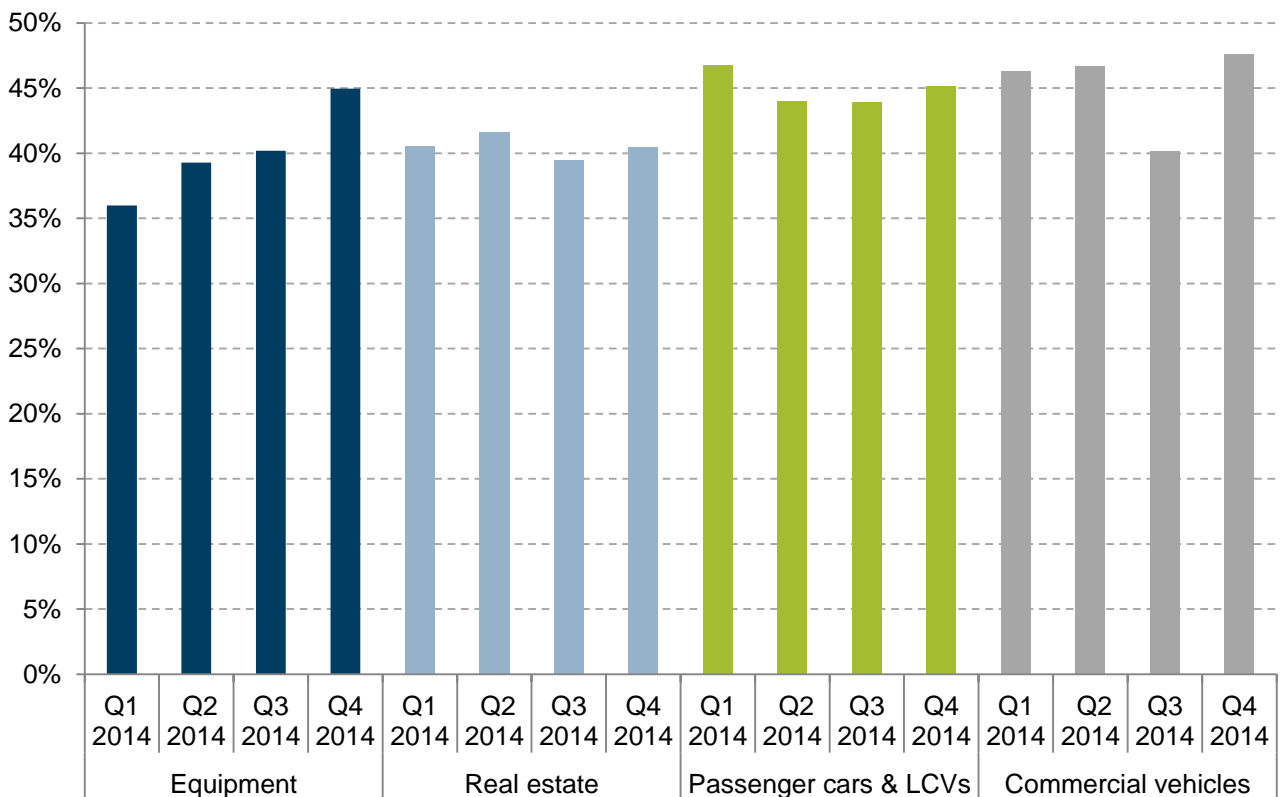


Fig. 3: Median Cost of Risk Ratio by asset type, 2014

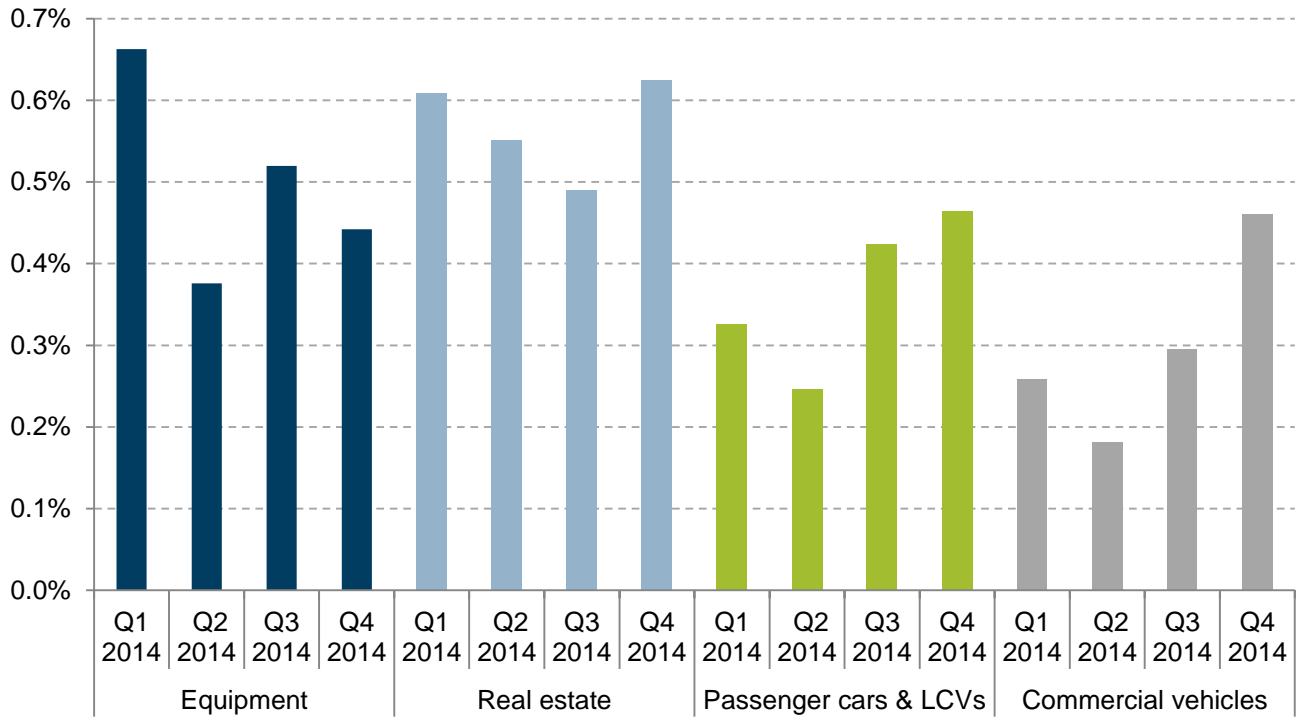


Fig. 4: Median Return on Assets Ratio by asset type, 2014

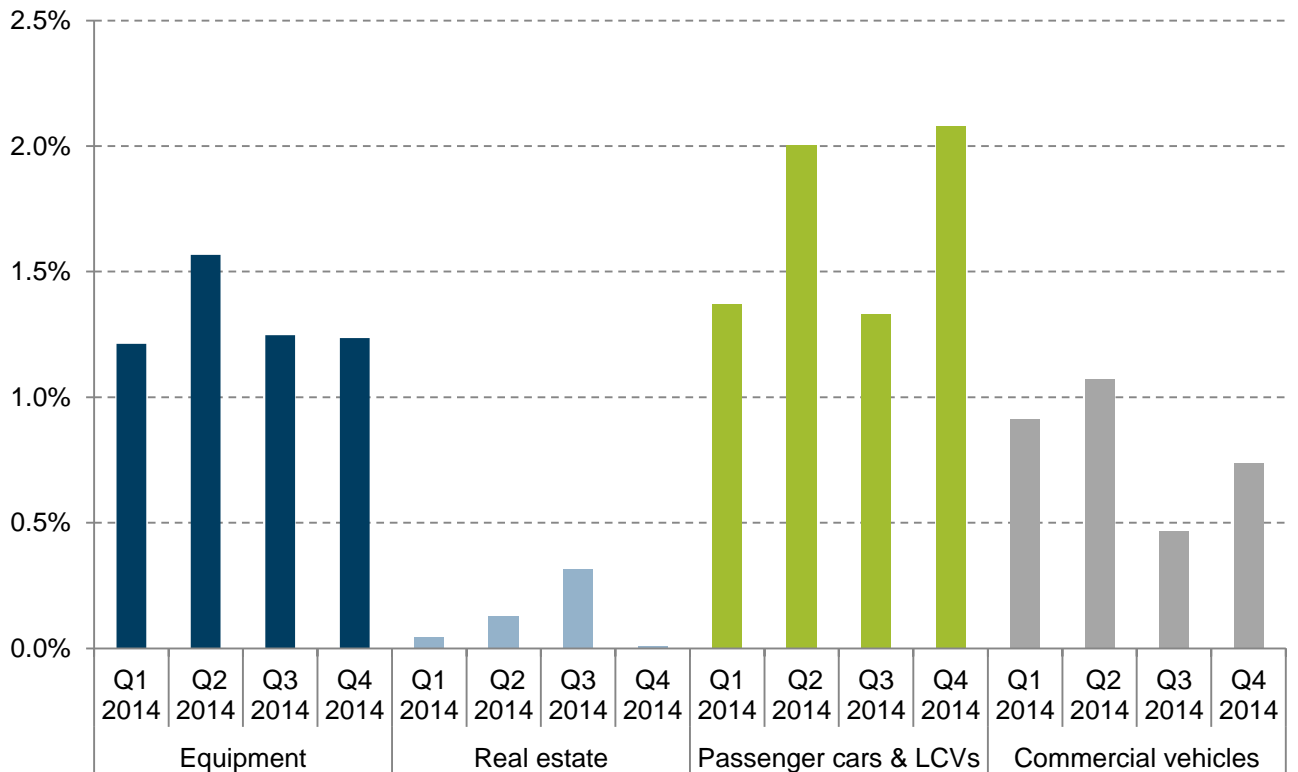


Fig 5: Index of Median Profitability by asset type, 2010 - 2014

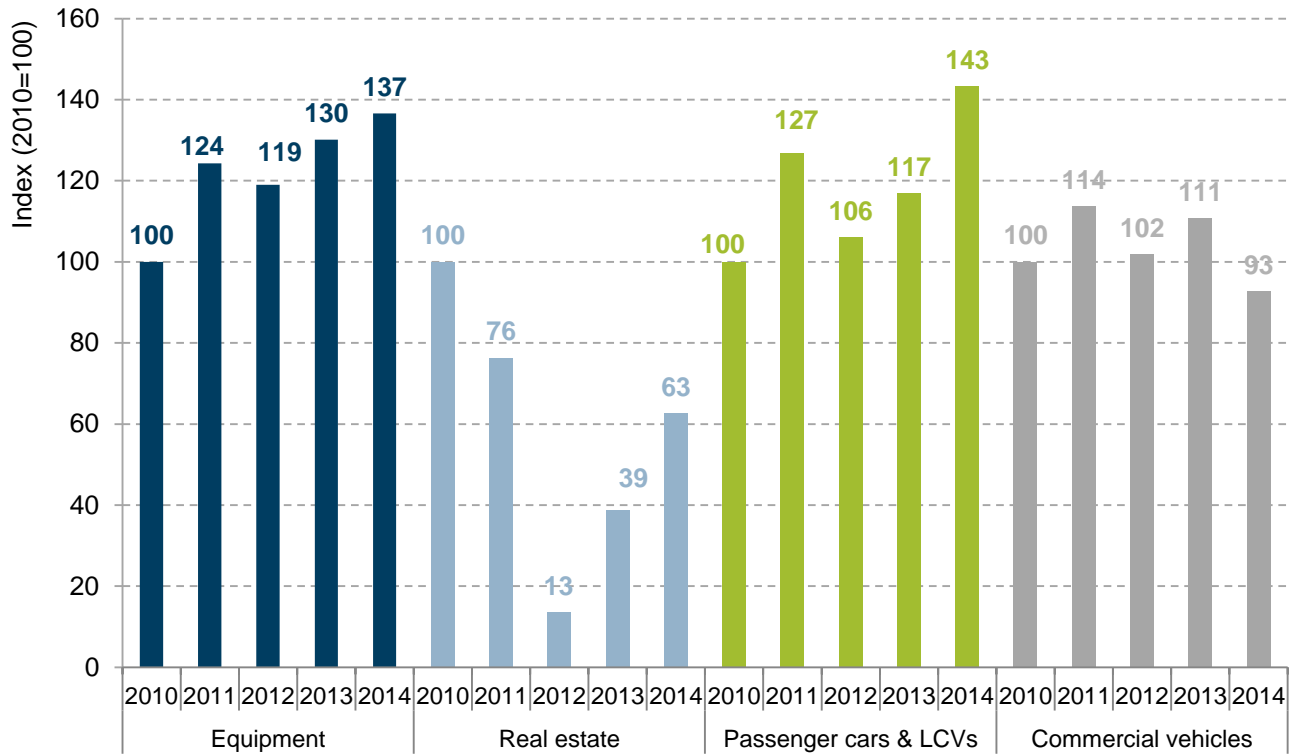


Fig. 6: Median Cost/Income Ratio by asset type, 2010 - 2014

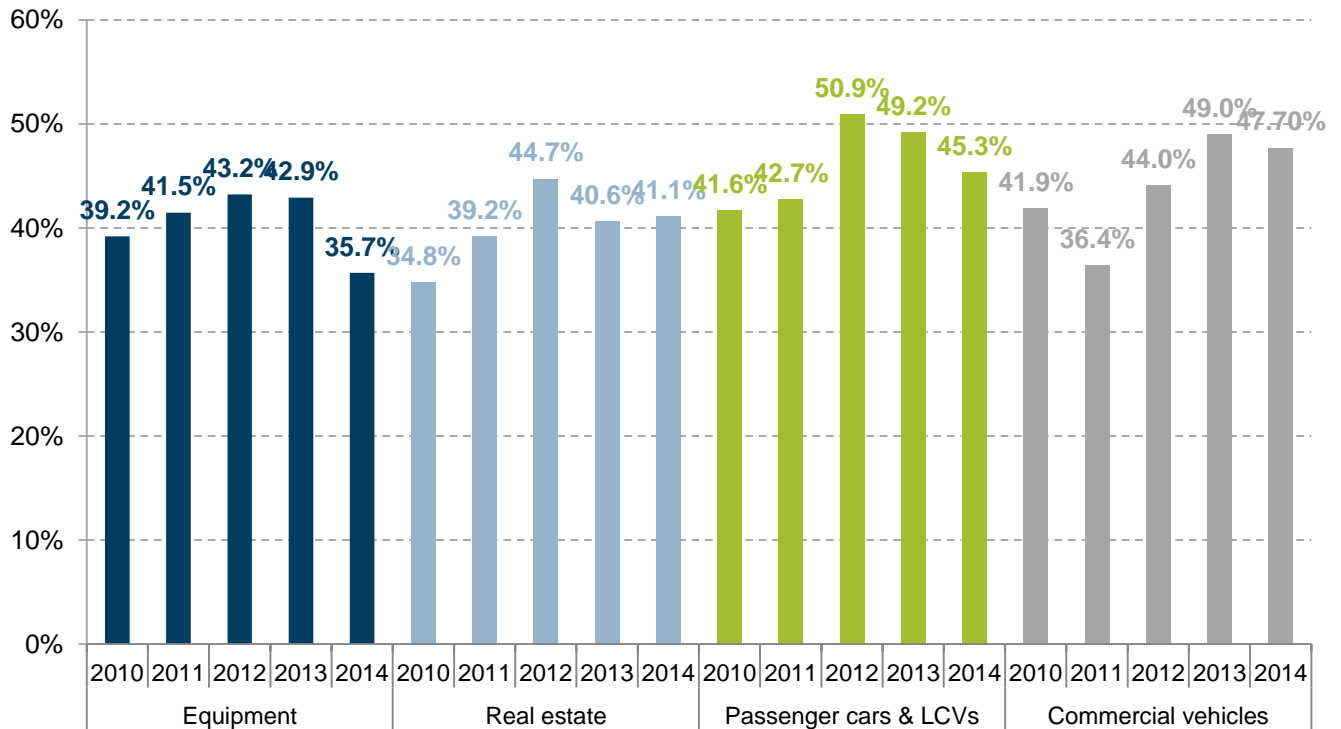


Fig. 7: Median Cost of Risk Ratio by asset type, 2010 - 2014

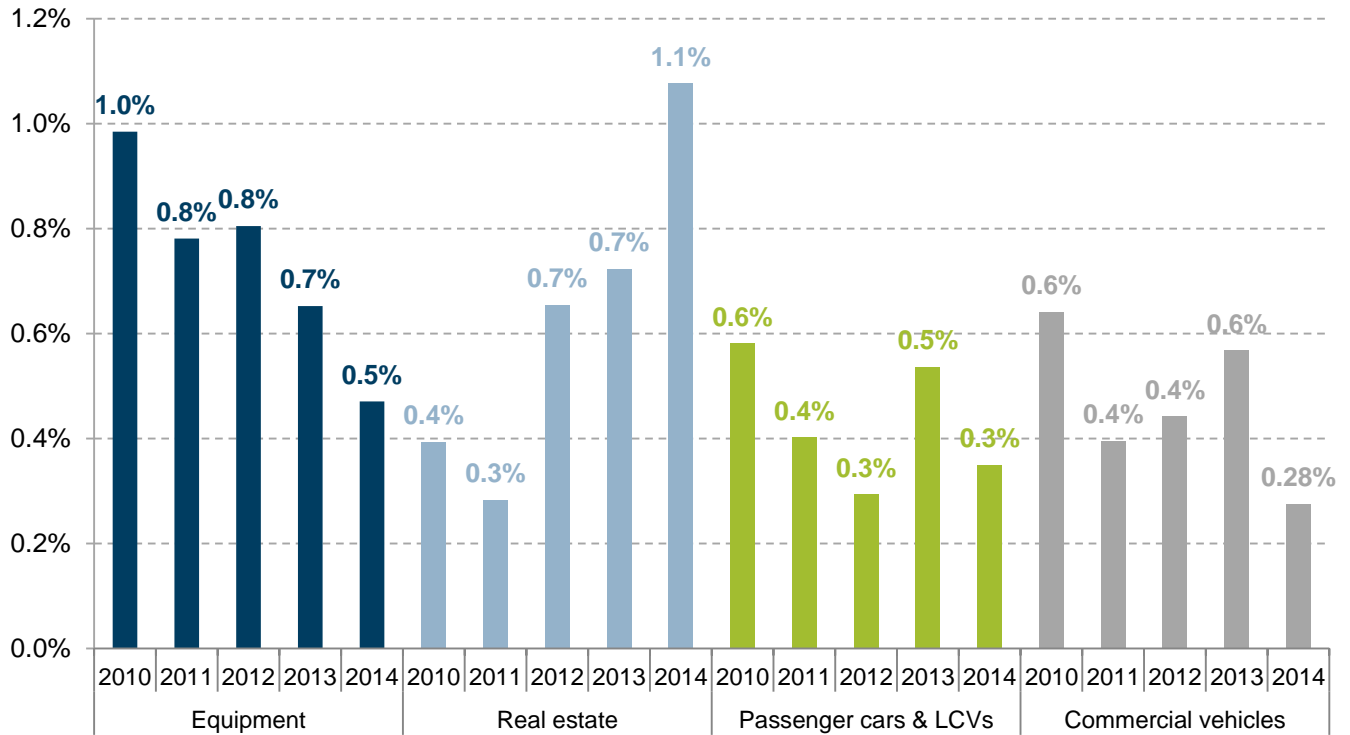


Fig. 8: Median Return on Assets Ratio by asset type, 2010 - 2014

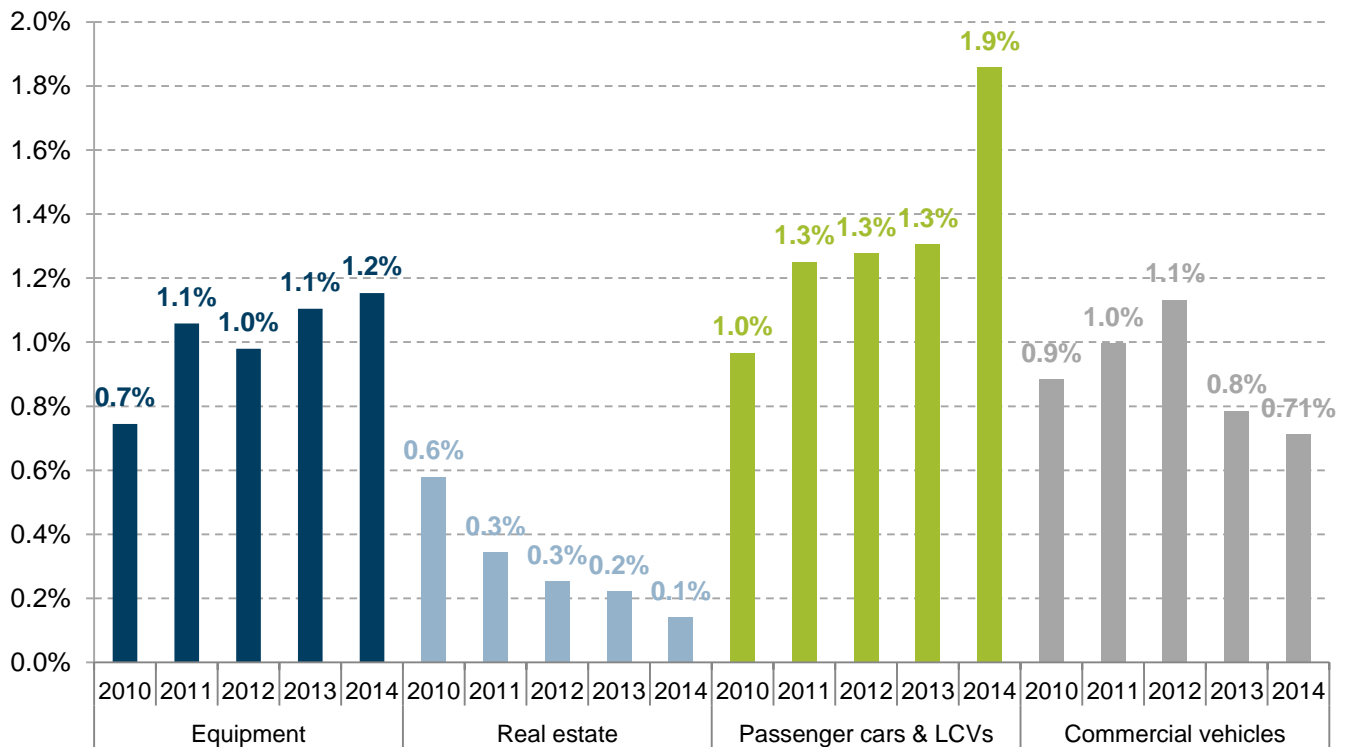


Table 1: Median Ratios² - Equipment

Median Ratios	2014					2013
	Median 2014 full year	Median Q4 2014	Median Q3 2014	Median Q2 2014	Median Q1 2014	Median 2013 full year
Profitability (2010=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	137	109	124	165	136	130
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	42.3%	44.9%	40.2%	39.3%	36.0%	42.9%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.5%	0.4%	0.5%	0.4%	0.7%	0.7%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.2%	1.2%	1.2%	1.6%	1.2%	1.1%

Table 2: Median Ratios - Real Estate

Median Ratios	2014					2013
	Median 2014 full year	Median Q4 2014	Median Q3 2014	Median Q2 2014	Median Q1 2014	Median 2013 full year
Profitability (2010=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	63	1	67	72	15	39
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	41.1%	40.5%	39.4%	41.6%	40.6%	40.6%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	1.1%	0.6%	0.5%	0.6%	0.6%	0.7%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	0.1%	0.0%	0.3%	0.1%	0.0%	0.2%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

² The median indicators shows the value at which half of the companies lie below this value and half lie above this value. It represents the 'typical' firm in the sample and is not as heavily influenced by outliers (extreme results) as the weighted average.

Table 3: Median Ratios – Passenger Cars & LCVs

Median Ratios	2014					2013
	Median 2014 full year	Median Q4 2014	Median Q3 2014	Median Q2 2014	Median Q1 2014	Median 2013 full year
Profitability (2010=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	143	143	129	156	142	117
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	45.3%	45.2%	43.9%	44.0%	46.7%	49.2%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.3%	0.5%	0.4%	0.2%	0.3%	0.5%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.9%	2.1%	1.3%	2.0%	1.4%	1.3%

Table 4: Median Ratios – Commercial Vehicles

Median Ratios	2014					2013
	Median 2014 full year	Median Q4 2014	Median Q3 2014	Median Q2 2014	Median Q1 2014	Median 2013 full year
Profitability (2010=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	93	127	103	121	118	111
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	47.7%	47.6%	40.2%	46.7%	46.3%	49.0%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.3%	0.5%	0.3%	0.2%	0.3%	0.6%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	0.7%	0.7%	0.5%	1.1%	0.9%	0.8%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

Table 5: Weighted Average Ratios³ - Equipment

Weighted Average Ratios	2014					2013
	Average 2014 full year	Average Q4 2014	Average Q3 2014	Average Q2 2014	Average Q1 2014	Average 2013 full year
Profitability (2010=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	169	130	184	180	164	-300
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	46.3%	49.9%	45.0%	45.2%	45.8%	46.1%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.8%	0.8%	0.8%	0.8%	0.8%	1.2%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.1%	1.1%	1.3%	1.1%	1.0%	0.7%

Table 6: Weighted Average Ratios - Real Estate

Weighted Average Ratios	2014					2013
	Average 2014 full year	Average Q4 2014	Average Q3 2014	Average Q2 2014	Average Q1 2014	Average 2013 full year
Profitability (2010=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	-88	-190	-67	-34	-52	-206
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	39.5%	45.7%	37.0%	35.2%	39.0%	41.6%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	1.4%	2.1%	1.2%	1.0%	1.1%	2.2%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	-0.5%	-1.2%	-0.3%	-0.2%	-0.3%	-1.4%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

³ Leaseurope calculates weighted average ratios based on the data provided by participating companies. The profitability and cost/income ratios are weighted by new business volumes over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the quarter to arrive at the weighted average ratio shown in the table. The cost of risk, RoA and RoE ratios are weighted by the average portfolio over the relevant period.

Table 7: Weighted Average Ratios – Passenger Cars & LCVs

Weighted Average Ratios	2014					2013
	Average 2014 full year	Average Q4 2014	Average Q3 2014	Average Q2 2014	Average Q1 2014	Average 2013 full year
Profitability (2010=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	140.2	122.6	138.9	142.8	138.8	123.3
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	46.5%	50.4%	46.3%	45.7%	46.7%	49.3%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.4%	0.4%	0.3%	0.4%	0.3%	0.4%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	3.4%	3.3%	3.6%	3.6%	3.3%	2.8%

Table 8: Weighted Average Ratios – Commercial Vehicles

Weighted Average Ratios	2014					2013
	Average 2014 full year	Average Q4 2014	Average Q3 2014	Average Q2 2014	Average Q1 2014	Average 2013 full year
Profitability (2010=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	81	93	188	138	93	88
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	54.1%	57.1%	33.3%	47.7%	47.8%	44.8%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.5%	0.7%	0.5%	0.3%	0.4%	0.8%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.1%	0.8%	1.2%	1.3%	1.1%	0.9%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

About the Leaseurope Index

Who conducts this survey?

Leaseurope conducts this survey. Individual companies report their figures for each indicator to Leaseurope, which aggregates the results on a confidential basis.

What is the purpose of this survey?

The purpose of the Leaseurope Index is to provide timely and regular information on the European leasing and automotive rental market. This is the only survey to report statistics on both volume of business and value creation metrics at European level.

What indicators are covered by the Leaseurope Index?

The survey tracks operating income, operating expenditure, loan loss provision, pre-tax profit, portfolio of leased assets and new business volumes for each quarter.

Definitions:

- 1) **Total operating income:** Net interest income + net fee and commission income + net insurance result + trading profit + other net income (including rental income net of depreciation on operating leases and profit on sales of assets linked to leasing activities)
- 2) **Total operating expenses:** includes inter alia staff costs, other administrative expenses, depreciation and amortisation
- 3) **Loan loss provision:** Net loan loss provision - write offs + recoveries over the period (including write-offs/recoveries of assets)
- 4) **Pre-tax profit:** Total operating income – costs – provisions
- 5) **Portfolio at end of period:** Total portfolio of leased assets including outstanding loans to customers and assets on operating lease at the end of each period (non-performing loans are included). The figures reflect the depreciated value of assets at the end of the period.
- 6) **New business volumes:** Total value of new contracts approved & signed by both sides (lessor and lessee) during the period during the reporting period, excluding VAT and finance charges

Based on the data provided in millions of euro by each company, Leaseurope calculates weighted average ratios, defined as follows:

Profitability index: weighted average of all companies' pre-tax profit as a % of total operating income, indexed to 2010=100. The weight used is the new business volume for the relevant period.

Cost / Income ratio: weighted average of all companies' operating expenses as a % of operating income. The weight used is the new business volume for the relevant period.

Cost of risk ratio: weighted average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Return on assets ratio: weighted average of all companies' net profit (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Which companies take part in the survey?

17 companies participate on a voluntary basis: ABN AMRO Lease, ALD Automotive, Arval, BNP Paribas Leasing Solutions, Caterpillar S.A.R.L., Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Iccrea Bancalmpresa, ING Lease, Leaseplan, Mediocredito Italiano, Nordea Finance, Société Générale Equipment Finance, UBI Leasing, UniCredit Leasing, Xerox Financial Services Europe

This sample is broadly representative of the European market in terms of geographic coverage and asset coverage. The sample represents a significant share of the total European leasing market. Please see the Leaseurope **2014 Ranking survey** for more information about European leasing companies.

How should the survey results be interpreted?

The survey tracks trends in key performance indicators at European level. The results are only presented in aggregate and no inferences can be made about any individual company's performance based on this aggregate data. Extreme care should be taken in comparing individual company performance with the Leaseurope Index, which spans a sample of lessors active in different geographic markets and sectors, and using various distribution channels.

Please note that the results of the Segment Survey may not be directly comparable to the Leaseurope Index Quarterly Survey. Various assets that are included in the Quarterly Survey results and which do not fit into one of the four categories used in the Segment Survey, such as renewable energy or big ticket assets, may not be taken into account in the Segment Survey results. Various costs and incomes related to international co-ordination of the business may also not be included, as they can be difficult to allocate to different asset types. In some cases the company figures for each asset type are estimates. For instance, if financial indicators split by assets include a variety of products, then the portion attributable to leasing needed to be estimated. Equally, if asset splits were only available for the total automotive portfolio, then the split by passenger cars and heavy commercial vehicles had to be estimated in some cases.

For this survey, Leaseurope aggregates self-declared information. While the Leaseurope Secretariat monitors the plausibility of the data, this is not audited data. As such, the Leaseurope Index should only be used for indicative purposes and care should be taken in interpreting the results. Although the sample is broadly representative, care should be taken in making inferences about market trends for the industry as a whole.

What is the geographic scope of this survey?

Consolidated figures are reported for the entire European activities of the participating companies. Europe is defined in the widest sense as EU28 + EFTA + other countries e.g. Turkey, Ukraine, Russia, Serbia, Croatia etc. Each company reports figures in euro regardless of which countries they operate in or which currencies they report in.

What is meant by "leasing"?

The term "leasing" is used in its broadest sense, covering hire purchase, finance and operating leasing which includes long term rental. Leasing is defined according to International Financial Reporting Standards (IAS17).

When will the next Leaseurope Index Segment results be released?

The segment survey is conducted on an annual basis. For future editions of this survey, Leaseurope aims to publish the results on the **Leaseurope Index website** during April each year.

Disclaimer

Please note that the information contained in the Leaseurope Index is of a general nature. Nobody should act upon such information without first seeking appropriate professional advice and after a thorough examination of a particular situation. Neither Leaseurope nor participating companies can be held responsible or liable for any losses or damages of any kind arising out of or in connection with the use of the information contained in the Leaseurope Index.